

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2824-09
BILL NO.: SCS for HCS for HB 1144
SUBJECT: Consumer Protection for Homeowners
TYPE: Original
DATE: May 3, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
Total Estimated Net Effect on <u>All</u> State Funds	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Economic Development - Divisions of Finance and Credit Unions, Department of Insurance, Office of State Courts Administrator** and the **Office of the Attorney General** assume the proposal would have no fiscal impact on their agencies.

Officials of the **Office of the State Public Defender (SPD)** assume that existing staff could provide representation for those 15-20 cases arising where indigent persons were charged with making home improvement loans without regard to ability to repay (a class D felony). However, passage of more than one similar proposal would require the SPD to request increased appropriations to cover cumulative costs of representing the indigent accused in additional cases.

In response to the prior version of the proposal, the **Department of Corrections (DOC)** noted they cannot predict the number of new commitments which may result from the creation of the offense specified in the proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the courts. If additional persons are sentenced to the custody of the DOC due to the provisions of this legislation, the DOC will incur a corresponding increase in operation costs either through incarceration (average of \$35.61 per inmate, per day) or through supervision provided by the Board of Probation and Parole (average of \$2.47 per offender, per day). DOC assumes the fiscal impact of this proposal would be \$0 to minimal based on the following factors:

- DOC assumes the narrow scope of the crime will not encompass a large number of offenders.
- The low felony status of the crime enhances the possibility of plea-bargaining or imposition of a probation sentence.

Supervision by the DOC through probation or incarceration would result in some additional costs, but it is assumed that the impact would be \$0 or a minimal amount that could be absorbed within existing resources. For fiscal note purposes, **Oversight** assumes costs would be unknown, but not expected to exceed \$100,000 annually.

FISCAL IMPACT - State Government

FY 2001
(10 Mo.)

FY 2002

FY 2003

GENERAL REVENUE

Costs-Department of Corrections

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
Increased incarceration and/or probation cases	(Less than \$100,000)	(Less than \$100,000)	(Less than \$100,000)
 <u>FISCAL IMPACT - Local Government</u>	 FY 2001 (10 Mo.)	 FY 2002	 FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

The proposal would establish the Unfair Home Improvement Loans Act and would outlaw certain unfair or deceptive practices relating to home improvement loans. It would prohibit home solicitations where a home improvement loan is made encumbering the person's home to pay the loan when specified criteria are met. Violation of this Act's provisions would constitute a class D felony. It would eliminate audit requirements for mortgage brokers and establish requirements for \$100,000 surety bonds for licensing of mortgage brokers.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development - Divisions of Finance and Credit Unions
Office of State Courts Administrator

PLH:LR:OD:005 (9-94)

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Office of the Attorney General
Department of Corrections
Office of the State Public Defender
Department of Insurance

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
May 3, 2000